

FOCUS

Mexican dinner houses discover . . . There's life after tacos

by Richard Martin

Variety is increasingly the spice of life for the nation's Mexican dinner houses, as they try to cut through the competition by promoting grilled dishes, "healthier" recipes, and broader ranges of boldly seasoned foods.

The broad-based menu evolution is helping players in the sit-down Mexican segment capitalize on the popularity of ethnic foods and forge growth from a sluggish business climate.

Although "regional" and "authentic" have become buzzwords of the trend, such menu mainstays as tacos, enchiladas and burritos aren't likely to become endangered species. But with the fajita craze cooling down, operators are looking for enticing and challenging food alternatives to heat up the appetites of diners seeking more provocative taste sensations.

"We find people are getting much more sophisticated in their taste for Mexican food," says Mario Dovalina Jr., corporate secretary of 69-unit Pepe's and son of the founder of the Chicago-based dinner house chain.

"We've always been ahead of the game with having authentic items on the menu," Dovalina boasts. "Now, we're trying to market them better and improve our presentations."

Instead of pushing its tacos and burritos, Pepe's now emphasizes more unusual and complex specialties, such as *lengua en salsa* (tongue), chiles rellenos, and steak à la Mexicana.

Throughout much of the sit-down Mexican segment, the blander, predictably Americanized dishes of old are being displaced by more complex, often spicier creations. Many of the new offerings have been adapted from the coastal and interior provinces of Mexico and the chile-loving American Southwest.

Even in the nation's conservative, spice-shy heartland, diners are developing a taste for more assertive flavoring. Segment-leading Chi-Chi's, whose cautious use of hot spices helped it grow to 200 units throughout the Midwest and Northeast, recently launched two spicier "Tex-Mex" entrées that quickly became hot sellers.

"Tex-Mex" gobbles 12 percent

Out of scores of menu items, the chicken and steak "Tex-Mex" combination dishes currently account for about 12 percent of sales, according to Glenn Drasher, Chi-Chi's senior marketing vice president. "For us, that's really significant," Drasher says. "Our goal was 8 percent."

Chi-Chi's plans to shift toward a menu mix that would feature more of its original Sonoran-style foods, its popular Chajitas fajitas and other Tex-Mex offerings with bolder seasonings. "We're not looking to turn up the heat, but to round out the number of dishes in that taste profile," Drasher explains.

To a large extent, the movement to more provocative and more authentic flavors has been fostered by upscale, independent Mexican-food operators, including those in the trendy Southwestern-cuisine subset. El Torito's eclectic El Torito Grill concept has also inspired

Operators are turning to grilled specialties and spicier, more complex entrées to boost sales and meet the growing popularity of ethnic cuisine.

its share of imitators.

Among the more influential of the independent "gourmet" Mexican and Southwestern operations are the trend-setting St. Estephe in Manhattan Beach, Calif., Coyote Cafe in Santa Fe, N.M., Frontera Grill in Chicago, Arizona 206 in New York, and Cafe Annie in Houston.

Susan Feniger and Mary Sue Miliken, the well-known chef-owners of City in Los Angeles, now step into the regional-Mexican spotlight with their opening of Border Grill in Santa Monica.

Like the upscale independents, multi-unit operators, too, are emphasizing more ambitious menus that feature less stereotypical Mexican dishes. San Francisco-based Chevys, a high-grossing chain of 16 restaurant-cantinas, has made a name for itself with its grilled prawns and broiled quail specialties. "We'll go to *cabrito* [baby goat] next," says owner Warren Simmons.

Pressure from larger chains can exert irresistible influences on the marketing strategies of competing chains. Mario Dovalina Jr. says Pepe's felt obliged to put shrimp fajitas and other trendy fare on its menus because those dishes became popular through the mass marketing of larger rivals.

"We don't expect [newer dishes like shrimp fajitas] to add up to a tremendous percentage of our sales, but the other chains do such a great job advertising those kinds of items," Dovalina says.

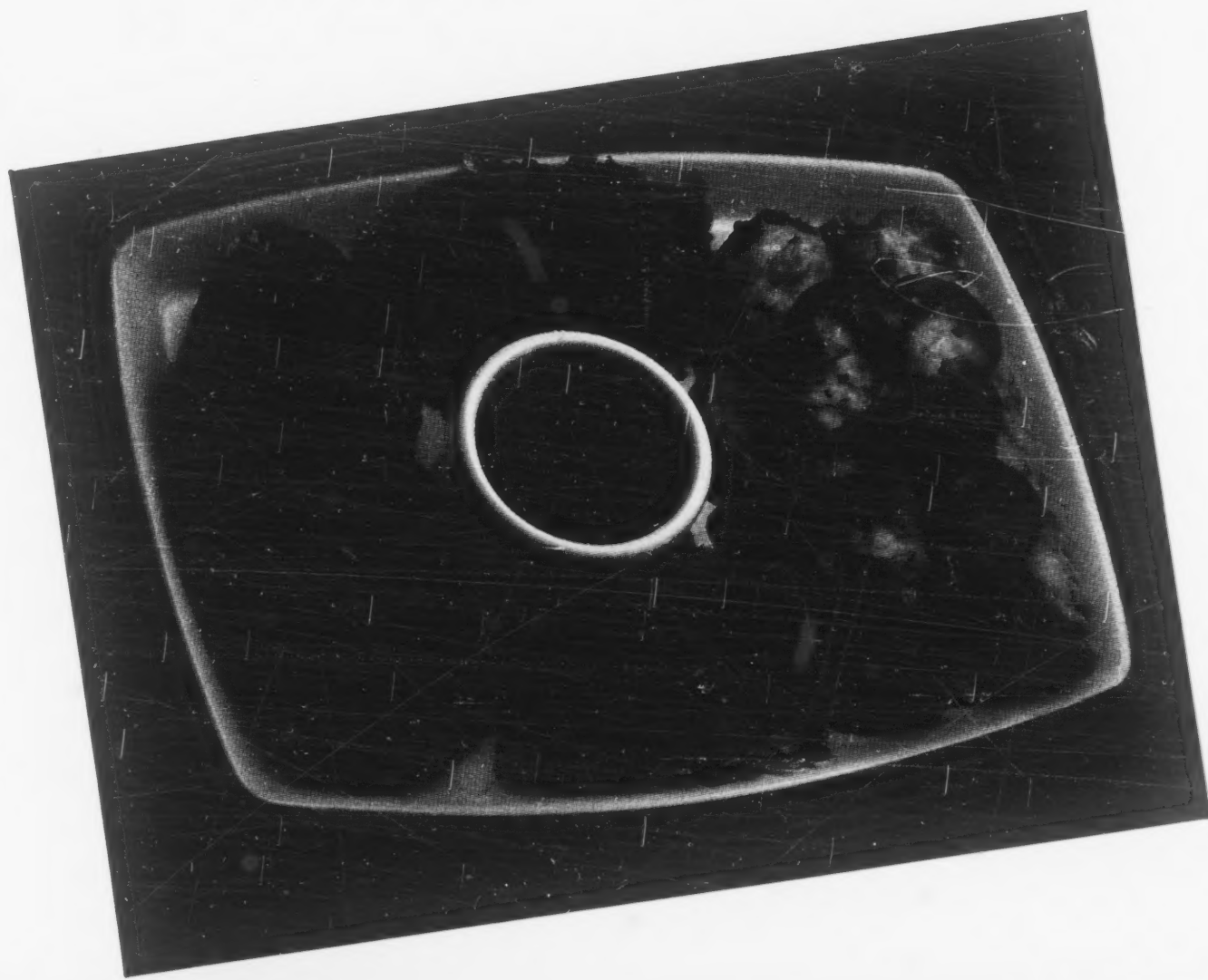
Similarly, after Chi-Chi's heavily promoted its taco salad with television advertising, Pepe's changed the name of its comparable item to "taco salad," Dovalina explains.

What next after fajitas fade?

Grilling and regional nuances are growing in importance as operators realize that no single menu item is likely to spark a sales boom quite like fajitas did in the last decade.

"If everyone is looking for the 'new' fajita, I think it's kind of like trying to catch the brass ring," says Rod Allen, marketing vice president for the 90-unit El Chico chain, based in Dallas. Rather than put all his faith in one recipe, Allen predicts that, in general, "fresh, grilled products" will be hot.

A growing number of operators are using grill-stripes and smoky tastes to (See MEXICAN, page 36)



Mexican dinner houses are enticing diners with innovative, complex entrées such as Chi-Chi's Tex-Mex Combo, top, which offers a little of something for everyone. Above: El Torito has added non-meat alternatives such as Camarones Flores, Arroz Con Pollo and Mahi Mahi Bahia to the menu.

FOCUS

Mexican dinner houses discover there's life after tacos

(Continued from page 33)

please their patrons. Acapulco, the 41-unit California chain, has installed new broilers — called by their Spanish name, *parillas* — in all its restaurants over the last 18 months. Broiled items are featured on a section of the Acapulco menu.

The grilling trend has even been incorporated into new identities for old concepts. The trendy and upscale El Torito Grill, a four-unit spinoff operating in Southern California, is another exponent of Mexican-style flame cooking and regional recipes.

Freshness is also a lure used by savvy Mexican operations. "Our feature is freshness," say Chevys' Simmons. "Everything is made fresh every day and dumped out every night."

The New Orleans-based Cuco's chain also exemplifies the fresh-is-better philosophy and brings it right out into the dining room, with tableside preparations of guacamole.

Red Onion, a 14-unit chain in Southern California, has gone overtly

regional in its quest to wet patrons' appetites. The chain introduces customers to its new menu by promising "the taste of real Mexico" and touting provincial recipes adapted from Yucatan, Veracruz, Sonora, Durango and Oaxaca.

So customers won't be intimidated by such adventurism, table tents assure Red Onions patrons that the new, eclectic offerings have been "adjusted for California tastes and prepared with your good health in mind."

For health's sake: grains and fish

The appeal to diet-conscious patrons is one technique Mexican restaurants are using to help stimulate business in the face of still-sagging liquor sales and rising costs of produce and labor. More and more, lard is out and vegetable oil is in, as operators strive to become more customer-friendly and responsive to health concerns.

Indeed, health seems to be one of the segment's most popular new marketing opportunities. "Almost everything we're doing in that area is working," says Mike Casey, president of 179-unit El Torito.

Sparked by customers' interest in "healthy" Mexican food, El Torito has introduced whole wheat quesadillas, "light" sour cream, all-vegetable oil cooking, and substitutions of fresh fruit for rice and beans on some dishes.

Casey also reports the increasing popularity of seafood and a positive reception to El Torito's new mahi mahi entrée, which joins the ranks of such non-meat alternatives as shrimp, lobster and fish tacos.

Red Onion, too, has switched to cholesterol-free canola oil while assuring customers that it cooks with no animal fats and has obtained the endorsement of the American Heart Association. The chain also offers whole wheat tortillas as an option to the white flour and corn varieties.

The new Beverly Hills branch of the nine-unit El Paso Cantina chain in Southern California serves only whole wheat tortillas, baked on a rotating exhibition griddle.

El Torito also features exhibition tortilla making, on a rotating stain-

Calif. operators regroup after wage hike

California-based operations such as El Torito, Acapulco and Red Onion say they are bouncing back from the state's 27 percent minimum-wage increase in July 1988.

"That was a body blow," says El Torito's Mike Casey, whose chain took a "significant" price increase in the third quarter of 1988 to adjust for the wage hike.

Compounded by California's prohibition of a tip credit, operators honed their merchandising skills and promoted higher-margin items, side orders and desserts.

Currently, El Torito is running a promotion for four \$7.95 dinner combinations that come with "free" nachos appetizers and fried ice cream

R.M.

Mexican dinnerhouse leaders

(full-service chains, ranked by number of units)

☐ Company-owned

☐ Franchised

Chi-Chi's, Louisville, Ky.

145

55

El Torito, Irvine, Calif.

175

4

El Chico, Dallas

61

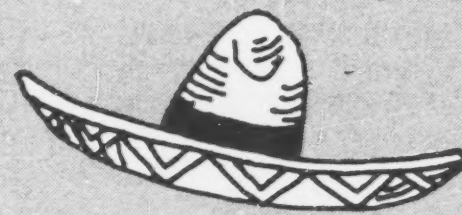
29

3 Pepe's, Chicago

69

41

Acapulco, Long Beach, Calif.



Source: NRN

A Taste of 6 Mexican Menus

Chi-Chi's — Tex-Mex steak or chicken breast El Paso (grilled, spice-basted, with peppered jack cheese enchiladas) \$8.45 (steak) \$7.95 (chicken)

El Torito — Mahi-Mahi Bahia (grilled mahi-mahi with sautéed mushrooms, red chile butter sauce, rice, sweet corn cake, seasonal fruit) \$6.95

Pepe's — *lengua en salsa* (sliced beef tongue in Spanish sauce with rice, beans) \$8.95

Acapulco — *carne asada e camarones* (parilla-broiled ribeye steak with garlic-sautéed shrimp, guacamole, rice) \$13.45

Red Onion — Cancun combo (steak, cheese enchilada, refried black beans, rice, Yucatan cabbage) \$8.95

Chevys — mesquite charcoal-broiled quail with pico de gallo sauce, guacamole, beans à la charra (2) \$10.25

less-steel *comal* disk. View-cooking and more intensive merchandising are coming into play as operators try to distinguish their concepts from the others in the Mexican food pack.

Chevys' tortilla-making machine, dubbed "El Machino," is a food-image asset, according to owner Simmons, who also calls the "Rube Goldberg"-type contraption "a wonderful baby-sitter" for guests waiting to be seated.

El Torito Grill's tortilla machine is admired by El Chico's Rod Allen, who calls it "nice packaging." However, Allen cautions Mexican dinner house operators not to rely on Mexican-regional menu novelties and mechanical bells and whistles. "I don't think that's any panacea," he says, noting that "you can only eat so many tortillas." Says Allen: "The big picture is, you've got to deliver great food and service."

Independents lead chains in share gains, unit growth

Independent Mexican dinner-house operators are showing signs of outpacing chain operators in market share gains and in unit growth.

"We primarily battle the local independents," many of whom are "very, very good operators," says Rod Allen, El Chico marketing vice president.

In addition to being worthy rivals, the independents "can react rather quickly to the marketplace — maybe spot a trend quickly and catch that wave," he adds.

However, Allen doesn't always reserve kind words for the nimble independents.

Lately, "There have been too many amateurs in the business and they consume a lot of seats," Allen says. However "we've certainly seen attrition in that field," he adds.

With the exception of the recently expanding Chi-Chi's system, "The full-service Mexican segment is not growing — at least not the major players," according to El Torito's Mike Casey.

The number of restaurants in the overall Mexican field grew 7 percent last year, to 16,900 outlets, according to the Recount Survey of Restaurant

Consulting Group in Evanston, Ill. Although fast feeders in the segment accounted for much of that growth, independent operators are believed to have gained market share at the expense of their chain rivals.

Several factors may account for such a growth disparity.

According to Phillip Ratner, president of the Long Beach, Calif.-based Acapulco chain, independents often "enjoy slight pricing advantages" over chains because of lower occupancy costs the independents pay because of their less-rigid siting requirements.

Independents can also gain an edge in greater labor efficiency as a result of family involvement, Ratner says.

Smaller regional companies that don't adhere to rigid building-size criteria also enjoy the advantages Ratner ascribes to independents.

Seattle-based Azteca chain, for example, has 18 restaurants which vary widely in square footage and seating because of founder Pepe Ramos' strategy of converting other restaurateurs' flops into his successes. His strategy is aided by Azteca's localized operations and family manage-

ment efficiencies.

To the increasing discomfort of bigger chains, independent operators can capitalize on their rent and labor-cost advantages as all Mexican restaurants are forced to raise menu prices in the face of rising food costs.

And, as analyst Nancy Kruse of Chicago-based Technomic points out, "The higher the check average goes, the greater the consumer resistance to spending that money in a chain environment."

According to Glenn Drasher of Chi-Chi's, the "financial handcuffs" on large companies operating under the burdens of leveraged-buyout debts proved to be powerful restraints on expansion in recent years.

The parent companies of El Torito and Acapulco are two such post-LBO operators.

But so is Foodmaker, the parent of Chi-Chi's, which has been able to expand modestly. The company envisions at least 20 new units this year, because of strategic planning that "accommodated [such growth], from a financial standpoint," Drasher says.

However, El Torito and Acapulco

are also poised to accelerate their growth rates.

According to Mike Casey, 179-unit El Torito expects to post net gains of three to four units a year, after sustaining net declines in numbers of restaurants for the last two years. The growth should be aided by a recent easing of the companies debt burdens, he says.

Acapulco, too, will be operating with fewer debt-related constraints because of the recent buyout of the chain's parent, Restaurant Associates. The buyer, Kyotaru Co., intends to spend another \$35 million on expansion. Tokyo-based Kyotaru was originally attracted to the buyout by Acapulco, but was only able to corner its quarry by acquiring the chain with its parent company.

Kyotaru is now expected to merge its other California-based chain, El Paso Cantina, with Acapulco, giving the combined system virtual parity with El Torito's 52-unit presence in the state.

"I do think they'll be more competitive," Casey said, referring to the Kyotaru-owned Acapulco concept.

Richard Martin

NEWS

NRA study: Consumers leaning toward healthier eating when dining out

by Paul Frumkin

WASHINGTON — The percentage of customers opting for nutritious items at restaurants gained four percentage points, to 39 percent, from 1986 to 1989, according to a new study by the National Restaurant Association.

At the same time the study revealed that the percentage of those who say they are unconcerned about eating healthful foods when dining out declined to 32 percent from 38 percent.

Such items as fresh fruit, chicken, lean meats and broiled and baked seafood ranked among the most frequently ordered restaurant dishes, the study found.

In presenting the findings to a gathering of food editors at the International Food Media '90 Conference here, NRA president Harris H. "Bud" Rusitzky declared, "This study suggests that restaurants should continue to add to the existing menu alternatives that conform with the dietary guidelines for good health."

"Clearly, consumers want to control their own diets according to their beliefs when eating out."

On the other hand, the NRA study also demonstrated that a strong minority — those people not particularly concerned with nutritional alternatives — still expect to find steak, regular soft drinks and rich desserts listed on the menus of their favorite restaurants.

Moreover, that group represents the largest share of the dining-out population, logging 39 percent of the total eating occasions.

"Their wants and needs will continue to be reflected in menu offerings," Rusitzky observed.

The NRA surveyed 799 adults around the country, asking such questions as whether they look for low-fat foods when they are eating out, whether they wish more restaurants offered dishes cooked without salt and whether they are less concerned about nutrition when they dine out on a special occasion.

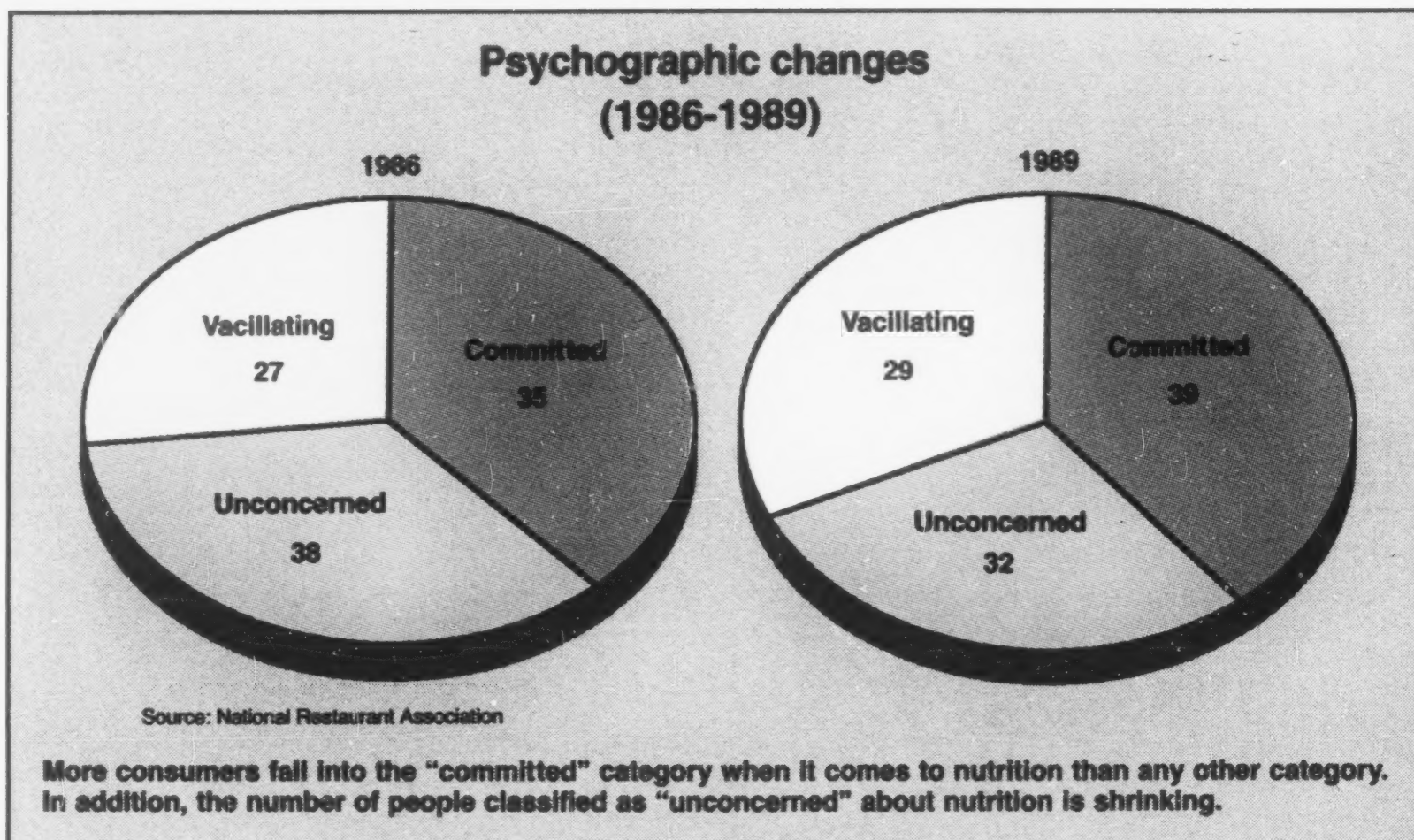
According to Rusitzky, the general population, as represented by the survey, can be broken down into three groups.

"First, there are the 'unconcerned,' who tend to describe themselves as 'meat and potato' eaters," he said, noting that this group eats whatever it wants. The people in this group are likely to be males, 18 to 24, single, average income earners and living in the Midwest.

The survey refers to the second group as "committed" — those consumers who are concerned with their diet when they dine out. They tend to be females, 35 to 54, college graduates, high income earners and living in the Northeast or on the West Coast. This group accounts for 32 percent of total eating occasions.

The third group is the "vacillators," those people who say they are concerned with health and nutrition but "are taste and occasion driven when it comes to eating out," Rusitzky explained.

People in this group are "slightly" more likely to be female and 65 and older. They



Favorite foods, 1989			
	Unconcerned	Committed	Vacillating
1	Steak/roast beef	Broiled/baked seafood	*Lean meats
2	*Fried chicken	Fresh fruit	*Steak/roast beef
3	*Fried fish/seafood	Lean meats	Fresh fruit
4	*Fresh fruit	Poultry without skin	Broiled/baked seafood
5	Regular soft drink	*Steak/roast beef	Fried fish/seafood
6	Lean meats	*Whole grain muffins	Fried chicken
7	Broiled/baked seafood	*Reduced calorie salad dressing	Poultry without skin
8	*Premium ice cream	Raw vegetable appetizers	Regular soft drink
9	*Rich chocolate desserts	Low-fat frozen yogurt	Whole grain muffins
10	Poultry without skin	Diet soft drink	Premium ice cream
* Tied			
Source: National Restaurant Association			

will probably be widowed, separated or divorced; live in the Southeast or Southwest; and have an income less than \$30,000. Their choices tend to

be unpredictable in terms of nutrition; they will order across the board rich desserts, lean meats, food cooked without salt, steak and roast beef,

regular soft drinks, and caffeine-free coffee. They account for the remaining 29 percent of total eating occasions, up from 27 percent in 1986.

Fast feeders answer demand by leaving out the fat

WASHINGTON — Fast-food operators are responding to growing nutritional concerns among their patrons by replacing highly saturated animal fats used for frying with vegetable fats, according to a study conducted by the National Restaurant Association.

At the same time, the study shows that many chains are also increasing the number of low-fat items on the menus.

In a survey of fast-food chains with 350 or more units, 62 percent of the respondents reported they were now frying exclusively with vegetable oil or vegetable shortening. Nineteen percent said they use a blend of animal fat and vegetable shortening, while 15 percent use a blend of animal and vegetable fats, as well as vegetable oil or shortening.

Type of fat used for frying in chain operations (in percentages)	
All vegetable shortening	38
All vegetable oil	19
Animal/vegetable (A/V) shortening blend	19
Two types	
A/V shortening and vegetable oil	10
A/V shortening and vegetable shortening	5
Vegetable shortening and vegetable oil	5
All three types approved	5
Source: National Restaurant Association	

"When you realize that the percentage who report they are using vegetable fats represents tens of thousands of units, the figure is significant," said NRA president Harris "Bud" Rusitzky.

Survey respondents represented about 39,000 units, 90 percent of which were fast-food units.

The survey also found that the majority of respondents now offer grilled chicken sandwiches, entrée salad or salad bars, reduced or low-calorie salad dressing, low-fat milk, fruit juice and decaffeinated coffee.

Fewer chains offer fresh fruit, frozen yogurt and skim milk.

PF

Chain operators serving:	
Decaffeinated coffee	76
Low-fat milk	76
Entrée salads and/or salad bars	71
Fruit juice	71
Reduced or low-calorie salad dressing	71
Grilled chicken sandwich	52
Fresh fruit	29
Low-fat frozen yogurt	29
Skim milk	24
5 Grilled fish sandwich	
Source: National Restaurant Association	

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SEATTLE BOOM

Population rise, Goodwill Games spark restaurant openings

by Alan Liddle

SEATTLE — Encouraged by the influx of new residents and projections that this summer's Goodwill Games could bolster the state economy with more than \$300 million, veteran operators and neophytes alike are scrambling to open new dining spots in Seattle and other nearby Puget Sound communities.

"Downtown Seattle had been dead for a long time, but now there is a lot more things for people to do," said Consolidated Restaurants president Ron Cohn, whose company is undertaking its first major project in Seattle since 1984, when it extensively remodeled Elliott's at Pier 56.

"It's a robust economy with a lot of growth, and the market continues to become more urban, sophisticated and appreciative of high quality," Rick Giboney, director of marketing at Restaurants Unlimited Inc., said, explaining why his Seattle-based company is once again



NRN Photo

Cathi Lindstrom, Zoopa division director of operations for Restaurants Unlimited, shows off the tray rack.

expanding in its own backyard.

Before last fall's opening of Palomino, a "Euro-Seattle Bistro," RUI, which operates 20 full-service restaurants in several states, hadn't opened a local restaurant in seven years. With Palomino barely

open, the company recently opened a new self-service soup-salad-pasta-baked-goods concept called Zoopa and expects to unveil Zodeo, a moderate-priced full-service restaurant, by year's end.

(See SEATTLE, page 7)

Operators declare war on no-shows

by Jack Hayes

Touched by the cries of fellow restaurateurs who continue booking reservations despite a national no-show epidemic, fine-dining operators from coast to coast say the only way to fight this tide of disloyalty is to charge patrons for the tables they leave empty.

Otherwise, insisted operators responding to a recent Nation's Restaurant News report that quoted restaurateurs from New York to Los Angeles on the worsening no-show issue, the only other recourse is to deliberately overbook or quit taking reservations entirely.

In fact, of the scores of people who called Nation's Restaurant News' toll-free Hot Line during the past several weeks to talk about the no-show problem, more than half claimed they are no longer booking reservations — precisely to avoid the hassle.

"I take no reservations under any circumstances," said

Operators to no-shows:
If you don't call us, we'll call you

See page 42

Tom McClanahan, proprietor of El Coyote Cafe, a bistro in the Cincinnati market.

Yet McClanahan urges his peers who still take reservations to get credit-card numbers and make patrons pay when they fail to honor reservations.

Nevertheless, in neighborhoods where competition is vicious, many operators aren't so confident. And in the very upscale segment, patrons demand reserved tables even though they may not show up at all, operators say.

"I've got a full-time secretary calling all day to confirm reservations, yet at 6 p.m. the customer wants to go elsewhere," argued Tom Klauber, (See NO-SHOWS, page 57)

Burger chains perk up menus with new breakfast offerings

by Bob Seligman

Stung by a decline in breakfast traffic, many leading burger chains are juicing up their morning menus with new products.

McDonald's has rolled out three new breakfast offerings, including cold cereal and an apple bran muffin. Burger King is testing mini-muffins. Wendy's is trying out a bacon, egg and cheese biscuit sandwich in Chicago.

White Castle's first chain-wide breakfast promotion is touting its sausage, egg and cheese sandwich. Carl's Jr. is testing a value-oriented breakfast menu and a breakfast burrito.

And in recent weeks Jack in the Box promoted its scrambled egg pita sandwich, which has Cheddar cheese, bacon and ham, and Hardee's added pancakes as an optional item.

Doreen Zavada, vice president and general manager for NPD CREST, a Chicago-based company that tracks the foodservice industry, said that breakfast customer traffic for the burger chains was down in 1989 by 2.9 percent from the prior year's level. In the three previous years, breakfast traffic growth gradually declined from 2.6 percent to 1.5 percent.

(See BURGER, page 56)

Wyatt tests small concepts

by Tracey Taylor Woodard

DALLAS — Seeking expansion vehicles for a saturated cafeteria market, Wyatt Cafeterias Inc. has opened a new food court concept in a mall here.

Wyatt's Express opened at the Irving Mall last month, serving salads, fresh vegetables and six varieties of chicken-fried steak.

The cafeterias "are cannibalizing themselves," said George DeShazo, president of 121-unit Wyatt. "I still think there is a tremendous market for cafeterias, but to build many more, we're going to have to get into virgin territory."

Meanwhile, Wyatt's is developing another downsized (See WYATT, page 4)

WYATT CONCEPTS (A comparison)

Wyatt Cafeterias
Seats: 280
Square footage: 10,700
Average check: \$4.80
Units: 121

Wyatt Express
Seats: None
Square footage: 517
Average check: \$3.25
Units: 1

Mrs. Wyatt's
Seats: 85
Square footage: 3,500
Average check: not available
Units: 0 (two leases signed)
Source: NRN

INSIDE

Exec cutbacks:
No easy answer

Charles Bernstein/Page 23

Sky's the limit at
Newark airport

Focus/Page 27

Industry pros
meet, eat at IACP

See page 32